

## Tata Realty and Infrastructure Limited

September 12, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	400.00	CARE A1+ (A One Plus )	Reaffirmed
<b>Total Bank Facilities</b>	<b>400.00</b> <b>(₹ Four Hundred Crore Only)</b>		
Commercial Paper	2,200.00	CARE A1+ (A One Plus )	Reaffirmed
<b>Total Short-Term Instruments</b>	<b>2,200.00</b> <b>(₹ Two Thousand Two Hundred Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed Rationale & Key Rating Drivers

The rating assigned to the commercial paper and short-term bank facilities of Tata Realty and Infrastructure Limited (TRIL), continues to derive strength from it being a 100% wholly owned subsidiary of Tata Sons Private Limited (TSPL), TRILs diversified portfolio with presence across real estate (both residential and commercial) and other infrastructure segments (roads, ropeways and metro) and satisfactory mix of operational and under construction real estate portfolio

The rating also factors in strategic partnership with Canada Pension Plan Investment Board (CPPIB) with monetization of stake (49%) in two of its key assets, Ramanujan IT city in Chennai and Intellion Edge, Gurgaon in H1 FY 23. The transaction proceed has aided debt reduction on immediate basis, besides enabling future growth by way of new investments.

The large sized under-construction projects have also witnessed traction over the last one year with receipt of appointed date for Pune IT City Metro Rail Limited (Pune metro project), debt tie up in place and equity funding to be reimbursed by Tata Sons Private Ltd (TSPL).

The rating is aided by ability to forge alliance with established players/investors for the development of its projects and its experienced top management combined with the established track record of developing real estate and infrastructure projects. Demonstrated parental support in the form of strategic, managerial, and funding support in the past is expected to continue. However, the above rating strengths are tempered by project execution risk for under-construction projects, refinancing risk largely mitigated due to strong track record of refinancing and relatively lower funding requirement for the existing projects.

### Rating Sensitivities

**Negative Factors-** Factors that could lead to negative rating action/downgrade:

- Higher than envisaged debt thereby weakening leverage profile
- Discontinuation of support from Tata Sons Private Limited, i.e the parent
- Any negative variation in credit profile of the parent

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Strong parentage and experience management

TRIL is a 100% owned subsidiary of Tata Sons Private Limited (TSPL), the principal holding and promoter company of the Tata group. TSPL has provided support to TRIL in the past in the form of equity infusions and is expected to do the same in future. Equity infusion since inception till end of FY22 stood at Rs.2,375 crore.

TSPL is further expected to infuse about Rs.400 crore during the current fiscal i.e. FY23. TRIL is also strategically important for TSPL being the sole vertical of the Tata group in commercial real estate and infrastructure space.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Experienced management and effective management policies**

TRIL benefits from its experienced senior management, headed by its Managing Director and Chief Executive Officer, Mr Sanjay Dutt, who has over 25 years of experience in the real estate sector. He is adequately supported by the CFO and other experienced board members. Furthermore, TRIL has developed a portfolio of assets which it plans to scale up further and also generate steady revenues from its existing projects.

**Diversified portfolio with established track record of developing and operating real estate and infrastructure projects**

TRIL began its operations in 2007 and hence has a strong track record of developing and operating commercial and residential real estate projects and infrastructure projects in India. As on August 31, 2022, the company has an operational commercial real estate portfolio covering ~6.2 million square feet (msf), under-construction and planning commercial real estate portfolio measuring ~11.9 msf, 0.1 mn sqft of retail and a road portfolio totalling 1,545 lane kilometre (km), one under construction metro rail asset at Pune and rope way asset in Dharamshala. It also has 0.31 msf unsold residential inventory at Kochi.

A significant proportion of the operational commercial real estate space (87%) has long track record of close to 10 years, with 74% space at Ramanujan IT Park in Chennai, 13% under TRIL IT 4 parks (in Mumbai) and balance under other 2 SPVs at Gurugram. The commercial space at Chennai and Mumbai has witnessed satisfactory occupancy of around 80% and 90% respectively. The occupancy of Intellion Edge phase 1 (Gurugram), which become operational in Feb 2020 is over 95%. However, for the recently completed space at Intellion Park (Phase 1 – completed in May 2022), the occupancy stood at just 4% as of May 2022. The company is in discussion with prospective clients for the occupancy. However, considering the track record and prime location of the assets, the vacant office space is expected to be occupied. All the four road assets of TRIL are operational and rope way asset in Dharamshala has commenced operations in Jan-2022.

**Reduction in debt via monetization of assets**

During the current fiscal, the company has monetized 49% stake in Ramanujan IT Park and 24.5% stake in Intellion Edge to Canada Pension Plan Investment Board (CPPIB). The company has utilized the monetization proceeds for repayment of debt. As a result debt as at September 30, 2022 is likely to be ~ Rs.1,745 crore as against Rs. 4,080 crore as at March 31, 2022. The unlocking of capital from the stake sale is expected to result in sizable improvement in debt/investment. It also paves way for new investments leading to strengthening its commercial real estate portfolio.

This apart, TRIL would be investing Rs.500 crore in Tata Housing Development Company (THDC) in current fiscal over and above Rs.1000 crore which it has already invested.

**Tie up of equity commitment of Pune Metro project from parent**

TRIL has been awarded concession of Pune metro (for 23.3 km) which has been undertaken in the entity Pune IT City Metro Rail Limited. The project size is close to Rs.7420 crore with financing through debt: equity of 1.8x. The project debt has been tied up and the envisaged equity commitment of Rs.973 crore is expected to be supported by Tata Sons P. Ltd.

**Alliance with experienced players/investors**

TRIL has entered into alliance/joint venture with specialized players such as private equity funds for its commercial real estate projects and other reputed players for its infrastructure projects. TRIL's wholly-owned subsidiary, TRIL Urban Transport Private Limited (TUTPL), in joint venture with Siemens Project Ventures GMBH was awarded contract to construct Line 3 of Pune Metro Project under DBFOT mode. TRIL & CPPIB have forged strategic partnership for new investments in commercial real estate space of upto Rs.2000 crore. Bringing these players on board is likely to enable TRIL to successfully combine their domain expertise and its own local know how to execute and manage various realty and infrastructure projects in India, thereby reducing execution risk.

## Key Rating Weaknesses

### Project execution risk associated with various under-construction projects and equity commitments

TRIL is undertaking diversified infrastructure projects and commercial real estate projects in various geographical locations across India. As on August 31, 2022, TRIL has under under-construction and planning commercial real estate portfolio measuring ~11.9 msf. This apart, it is implementing Pune metro project under an SPV. While the project was awarded in 2018, the progress has been slow due to pending Right of Way (ROW). However, the project has commenced construction with appointed date received on November 25, 2021 subsequent to availability of 98.9% Right of Way. Construction contract has been awarded to Tata Projects Ltd and Siemens Mobility. Schedule completion date is in 2025. While the financing risk associated with the project is low, construction risk remains given the nascent stage of project execution.

### Refinancing risk

TRIL's primary source of income is sale of residential units in Kochi project, asset management fees, interest incomes from ICDs/NCDs given to SPVs and project management fees that it receives from its SPVs for managing the projects and possible divestment of its investments. TRIL is dependent upon short term/medium term debt for financing its investment commitments thereby exposing it to high refinancing risk. However, past track record of successful refinancing, equity infusions by promoters and comfortable credit quality of underlying assets mitigate the said risk to an extent.

### Liquidity: Strong

TRIL's liquidity is marked by unutilized fund-based limits to the tune of Rs.75 crore as on August 31, 2022, and other liquid investments of ~Rs.1,381 crore as on June 30, 2022. TRIL has principal payments due of Rs.470 crore (Rs.275 crore in September 2022 and Rs.195 crore in November 2022). Furthermore, TRIL also derives sufficient liquidity by virtue of being wholly owned subsidiary of TSPL and the past track record of financial and managerial support from TSPL, which is expected to continue going forward.

**Analytical approach:** Standalone financials factoring the equity investments/support required in subsidiaries/SPVs. Further, the rating also factors in linkages with the Parent – TSPL. CARE has applied its parent notch-up framework to factor in the managerial and financial support extended and expected to be extended by the parent, TSPL

### Applicable criteria

Factoring Linkages Parent Sub JV Group  
 Financial Ratios – Non-financial Sector  
 Investment Holding Companies  
 Liquidity Analysis of Non-financial sector entities  
 Rating Outlook and Credit Watch  
 Short Term Instruments  
 Policy on default recognition

### About the company

Incorporated in 2007, TRIL is a 100% subsidiary of Tata Sons Private Limited. TRIL was incorporated as a holding company, with a view of setting up various infrastructure and real estate-related projects, through SPVs. TRIL's portfolio comprises roads, commercial/residential real estate, ropeways and is undertaking metro rail project for Pune. As on August 31, 2022, the company has an operational commercial real estate portfolio covering ~6.2msf, under-construction and planning real estate portfolio measuring ~11.9 msf and a road portfolio totaling 1,545 lane kilometre (km), one under construction metro rail asset and rope way asset in Dharamshala.

TRIL is managed by Managing Director and Chief Executive Officer, Mr. Sanjay Dutt, who has over 25 years of experience in the real estate sector.

Brief Financials (Rs. crore)	FY21 (A)	FY22(A)	Q1FY23(UA)
Total operating income	195	194	26
PBILDT	33	51	(30)
PAT	(96)	(5)	(76)

Brief Financials (Rs. crore)	FY21 (A)	FY22(A)	Q1FY23(UA)
Overall gearing (times)	0.99	1.04	NA
Interest coverage (times)	0.15	0.23	NM

A: Audited; Note: Financials are classified as per CARE's criteria

UA: Unaudited NM: Not Meaningful, NA: Not available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantee	-	-	-	-	190.00	CARE A1+
Fund-based - ST-Working Capital Limits	-	-	-	-	75.00	CARE A1+
Fund-based/non-fund-based-Short Term	-	-	-	-	135.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone) (Proposed)	-	-	-	7 days to 1 Year	2175.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE371K14BG4	June 08, 2022	6.20%	December 06, 2022	25.00	CARE A1+

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - ST-Bank Guarantee	ST	190.00	CARE A1+	-	1)CARE A1+ (13-Sep-21)	1)CARE A1+ (14-Sep-20)	1)CARE A1+ (13-Sep-19)
2	Fund-based - ST-Working Capital Limits	ST	75.00	CARE A1+	-	1)CARE A1+ (13-Sep-21)	1)CARE A1+ (14-Sep-20)	1)CARE A1+ (13-Sep-19)
3	Commercial Paper-Commercial Paper (Standalone)	ST	2200.00	CARE A1+	-	1)CARE A1+ (13-Sep-21)	1)CARE A1+ (14-Sep-20)	1)CARE A1+ (13-Sep-19)
4	Fund-based/Non-fund-based-Short Term	ST	135.00	CARE A1+	-	1)CARE A1+ (13-Sep-21)	1)CARE A1+ (14-Sep-20)	1)CARE A1+ (13-Sep-19)

\*Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - ST-Working Capital Limits	Simple
3	Fund-based/Non-fund-based-Short Term	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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